

Roane State Community College Foundation

**For the Years Ended
June 30, 1997, and June 30, 1996**

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August 20, 1997

The Honorable Don Sundquist, Governor

and

Members of the General Assembly

State Capitol

Nashville, Tennessee 37243

and

The Honorable Charles E. Smith, Chancellor

Tennessee Board of Regents

1415 Murfreesboro Road, Suite 350

Nashville, Tennessee 37217

and

Mr. David McCoy, Chairman

Roane State Community College Foundation

235 Jackson Street

Oak Ridge, Tennessee 37830

Ladies and Gentlemen:

Transmitted herewith is the financial and compliance audit of the Roane State Community College Foundation for the years ended June 30, 1997, and June 30, 1996. You will note from the independent auditor's report that an unqualified opinion was given on the fairness of the presentation of the financial statements.

Consideration of internal control over financial reporting and tests of compliance resulted in no audit findings.

Very truly yours,

W. R. Snodgrass

Comptroller of the Treasury

WRS/sdr

98/076

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

Financial and Compliance Audit
Roane State Community College Foundation
For the Years Ended June 30, 1997, and June 30, 1996

AUDIT OBJECTIVES

The objectives of the audit were to consider the foundation's internal control over financial reporting; to determine compliance with certain provisions of laws, regulations, contracts, and grants; to determine the fairness of the presentation of the financial statements; and to recommend appropriate actions to correct any deficiencies.

AUDIT FINDINGS

The audit report contains no findings.

OPINION ON THE FINANCIAL STATEMENTS

The opinion on the financial statements is unqualified.

"Audit Highlights" is a summary of the audit report. To obtain the complete audit report which contains all findings, recommendations, and management comments, please contact

Comptroller of the Treasury, Division of State Audit
1500 James K. Polk Building, Nashville, TN 37243-0264
(615) 741-3697

Audit Report
Roane State Community College Foundation
For the Years Ended June 30, 1997, and June 30, 1996

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Roane State Community College Foundation For the Years Ended June 30, 1997, and June 30, 1996

INTRODUCTION

POST-AUDIT AUTHORITY

This is a report on the financial and compliance audit of the Roane State Community College Foundation. The audit was conducted pursuant to Section 4-3-304, *Tennessee Code Annotated*, which authorizes the Department of Audit to “perform currently a post-audit of all accounts and other financial records of the state government, and of any department, institution, office, or agency thereof in accordance with generally accepted auditing standards and in accordance with such procedures as may be established by the comptroller.”

Section 8-4-109, *Tennessee Code Annotated*, authorizes the Comptroller of the Treasury to audit any books and records of any state governmental entity that handles public funds when the Comptroller considers an audit to be necessary or appropriate.

BACKGROUND

The Roane State Community College Foundation is a nonprofit, private foundation incorporated on May 1, 1979, under the laws of the State of Tennessee. The foundation’s purpose is to promote and support scholarship and other school-related functions at Roane State Community College.

ORGANIZATION

The Roane State Community College Foundation is governed by a board of directors, including the president of the college and the executive director of the foundation who serve *ex officio*. The other directors, elected by the majority of the board members, include outstanding citizens and business and/or professional men and women. The board’s normal transactions are executed by a seven-member executive committee.

AUDIT SCOPE

The audit was limited to the period July 1, 1995, through June 30, 1997, and was conducted in accordance with generally accepted auditing standards and the standards applicable

to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Financial statements are presented for the years ended June 30, 1997, and June 30, 1996.

OBJECTIVES OF THE AUDIT

The objectives of the audit were

1. to consider the foundation's internal control over financial reporting to determine auditing procedures for the purpose of expressing an opinion on the financial statements;
2. to determine compliance with certain provisions of laws, regulations, contracts, and grants;
3. to determine the fairness of the presentation of the financial statements; and
4. to recommend appropriate actions to correct any deficiencies.

PRIOR AUDIT FINDINGS

There were no findings in the prior audit report.

RESULTS OF THE AUDIT

AUDIT CONCLUSIONS

Internal Control

As part of the audit of the foundation's financial statements for the years ended June 30, 1997, and June 30, 1996, we considered internal control over financial reporting to determine auditing procedures for the purpose of expressing an opinion on the financial statements, as required by generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Consideration of internal control over financial reporting disclosed no material weaknesses.

Compliance

The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Fairness of Financial Statement Presentation

The Division of State Audit has rendered an unqualified opinion on the foundation's financial statements.

**Report on Compliance and on Internal Control
Over Financial Reporting Based on an Audit of
Financial Statements Performed in Accordance With
*Government Auditing Standards***

May 13, 1998

The Honorable W. R. Snodgrass
Comptroller of the Treasury
State Capitol
Nashville, Tennessee 37243

Dear Mr. Snodgrass:

We have audited the financial statements of Roane State Community College Foundation as of and for the years ended June 30, 1997, and June 30, 1996, and have issued our report thereon dated May 13, 1998. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the foundation's financial statements are free of material misstatement, we performed tests of the foundation's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

The Honorable W. R. Snodgrass
May 13, 1998
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Internal Control Over Financial Reporting

In planning and performing our audit, we considered the foundation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted certain matters involving the internal control over financial reporting that we have reported to the foundation's management in a separate letter.

This report is intended for the information of the General Assembly of the State of Tennessee and management. However, this report is a matter of public record, and its distribution is not limited.

Sincerely,

Arthur A. Hayes, Jr., CPA, Director
Division of State Audit

AAH/sdr

Independent Auditor's Report

May 13, 1998

The Honorable W. R. Snodgrass
Comptroller of the Treasury
State Capitol
Nashville, Tennessee 37243

Dear Mr. Snodgrass:

We have audited the accompanying statements of position of Roane State Community College Foundation as of June 30, 1997, and June 30, 1996, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the foundation's management. Our responsibility is to express an opinion on these financial statements, based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Roane State Community College Foundation as of June 30, 1997, and June 30, 1996, and the changes in net assets and the cash flows for the years then ended in conformity with generally accepted accounting principles.

The Honorable W. R. Snodgrass
May 13, 1998
Page Two

As discussed in Note 8 to the financial statements, the foundation implemented FASB Statement 116, "Accounting for Contributions Received and Contributions Made," and FASB Statement 117, "Financial Statements of Not-for-Profit Organizations," in accordance with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 1998, on our consideration of the foundation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Sincerely,

Arthur A. Hayes, Jr., CPA, Director
Division of State Audit

AAH/sdr

ROANE STATE COMMUNITY COLLEGE FOUNDATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 1997, AND JUNE 30, 1996

	June 30, 1997				June 30, 1996			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Assets:								
Current assets:								
Cash and cash equivalents (Note 2)	\$ 32,874.67	\$ 919,492.53	\$ -	\$ 952,367.20	\$ 6,671.47	\$ 257,876.34	\$ 95.02	\$ 264,642.83
Accounts receivable	-	-	6,788.21	6,788.21	-	-	-	-
Promises to give (Note 3)	-	441,392.89	29,029.79	470,422.68	-	2,613,157.10	30,945.06	2,644,102.16
Due from permanently restricted	-	78,118.70	-	78,118.70	-	-	-	-
Interest receivable	-	-	-	-	-	-	4,507.10	4,507.10
Investments (Note 4)	96,460.49	2,079,769.20	2,030,894.97	4,207,124.66	60,669.56	927,911.81	1,460,235.50	2,448,816.87
Total current assets	129,335.16	3,518,773.32	2,066,712.97	5,714,821.45	67,341.03	3,798,945.25	1,495,782.68	5,362,068.96
Real estate	-	519,000.00	-	519,000.00	-	2,498,719.90	55,000.00	2,553,719.90
Assets held in charitable remainder trust (Note 5)	-	-	1,667,641.30	1,667,641.30	-	-	1,841,454.07	1,841,454.07
Total assets	<u>\$ 129,335.16</u>	<u>\$ 4,037,773.32</u>	<u>\$ 3,734,354.27</u>	<u>\$ 7,901,462.75</u>	<u>\$ 67,341.03</u>	<u>\$ 6,297,665.15</u>	<u>\$ 3,392,236.75</u>	<u>\$ 9,757,242.93</u>
Liabilities and net assets:								
Liabilities:								
Current liabilities:								
Accounts payable	\$ -	\$ -	\$ 6,432.38	\$ 6,432.38	\$ -	\$ -	\$ 11,494.87	\$ 11,494.87
Due to temporarily restricted	-	-	78,118.70	78,118.70	-	-	-	-
Liability - split interest agreements (Note 5)	-	-	20,071.84	20,071.84	-	-	14,553.00	14,553.00
Total current liabilities	-	-	104,622.92	104,622.92	-	-	26,047.87	26,047.87
Long-term liabilities:								
Liability - split interest agreements (Note 5)	-	-	138,086.00	138,086.00	-	-	204,433.00	204,433.00
Total liabilities	-	-	242,708.92	242,708.92	-	-	230,480.87	230,480.87
Net assets:								
Unrestricted	129,335.16	-	-	129,335.16	67,341.03	-	-	67,341.03
Temporarily restricted (Note 6)	-	4,037,773.32	-	4,037,773.32	-	6,297,665.15	-	6,297,665.15
Permanently restricted (Note 6)	-	-	3,491,645.35	3,491,645.35	-	-	3,161,755.88	3,161,755.88
Total net assets	129,335.16	4,037,773.32	3,491,645.35	7,658,753.83	67,341.03	6,297,665.15	3,161,755.88	9,526,762.06
Total liabilities and net assets	<u>\$ 129,335.16</u>	<u>\$ 4,037,773.32</u>	<u>\$ 3,734,354.27</u>	<u>\$ 7,901,462.75</u>	<u>\$ 67,341.03</u>	<u>\$ 6,297,665.15</u>	<u>\$ 3,392,236.75</u>	<u>\$ 9,757,242.93</u>

The notes to the financial statements are an integral part of this statement.

ROANE STATE COMMUNITY COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 1997

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and other additions:				
Support:				
Contributions	\$ 32,893.21	\$ 545,232.45	\$ 54,521.17	\$ 632,646.83
Donated services	30,501.22	-	-	30,501.22
Donated materials	84,126.51	-	-	84,126.51
Special events - auction	63,443.97	-	-	63,443.97
Special events - golf tournament	10,018.00	-	-	10,018.00
Total support	<u>220,982.91</u>	<u>545,232.45</u>	<u>54,521.17</u>	<u>820,736.53</u>
Revenues:				
Net realized/unrealized gains	-	-	126,524.54	126,524.54
Change in value of split interest agreements	-	-	104,617.42	104,617.42
Interest and investment income	44,456.40	70,978.64	94,317.79	209,752.83
Total revenues	<u>44,456.40</u>	<u>70,978.64</u>	<u>325,459.75</u>	<u>440,894.79</u>
Net assets released from restrictions	<u>2,926,194.37</u>	<u>(2,877,957.92)</u>	<u>(48,236.45)</u>	<u>-</u>
Total revenues and other additions	<u>3,191,633.68</u>	<u>(2,261,746.83)</u>	<u>331,744.47</u>	<u>1,261,631.32</u>
Expenses:				
Program expenses:				
Scholarships	131,600.45	-	-	131,600.45
Campus projects	2,794,593.92	-	-	2,794,593.92
General and administrative expenses:				
Public relations	11,365.92	-	-	11,365.92
Administration	34,477.32	-	-	34,477.32
Chamber memberships	2,374.00	-	-	2,374.00
Special events - auction	30,482.21	-	-	30,482.21
Special events - golf tournament	10,118.00	-	-	10,118.00
Donated services - legal and accounting	25,730.56	-	-	25,730.56
Donated services - advertising	4,770.66	-	-	4,770.66
Donated materials	84,126.51	-	-	84,126.51
Total expenses	<u>3,129,639.55</u>	<u>-</u>	<u>-</u>	<u>3,129,639.55</u>
Transfer:				
Temporarily restricted	<u>-</u>	<u>1,855.00</u>	<u>(1,855.00)</u>	<u>-</u>
Changes in net assets	61,994.13	(2,259,891.83)	329,889.47	(1,868,008.23)
Net assets at beginning of year	<u>67,341.03</u>	<u>6,297,665.15</u>	<u>3,161,755.88</u>	<u>9,526,762.06</u>
Net assets at end of year	<u>\$ 129,335.16</u>	<u>\$ 4,037,773.32</u>	<u>\$ 3,491,645.35</u>	<u>\$ 7,658,753.83</u>

The notes to the financial statements are an integral part of this statement.

ROANE STATE COMMUNITY COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 1996

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and other additions:				
Support:				
Contributions	\$ 14,132.83	\$ 3,529,581.13	\$ 36,577.85	\$ 3,580,291.81
Donated services	23,550.00	-	-	23,550.00
Donated materials	48,122.62	-	-	48,122.62
Special events - auction	152,307.04	-	-	152,307.04
Special events - golf tournament	13,459.77	-	-	13,459.77
Total support	251,572.26	3,529,581.13	36,577.85	3,817,731.24
Revenues:				
Net realized/unrealized gains	-	-	106,109.32	106,109.32
Change in value of split interest agreements	-	-	144,813.22	144,813.22
Interest and investment income	32,949.95	16,949.47	128,195.16	178,094.58
Total revenues	32,949.95	16,949.47	379,117.70	429,017.12
Net assets released from restrictions	377,486.96	(298,416.53)	(79,070.43)	-
Total revenues and other additions	662,009.17	3,248,114.07	336,625.12	4,246,748.36
Expenses:				
Program expenses:				
Scholarships	100,346.94	-	-	100,346.94
Campus projects	184,628.02	-	-	184,628.02
Honors program	25,000.00	-	-	25,000.00
Academic festival	4,000.00	-	-	4,000.00
Special projects	16,500.00	-	-	16,500.00
General and administrative expenses:				
Public relations	16,352.62	-	-	16,352.62
Administration	31,004.82	-	-	31,004.82
Chamber memberships	2,271.00	-	-	2,271.00
Special events - auction	41,813.22	-	-	41,813.22
Special events - golf tournament	13,124.11	-	-	13,124.11
Donated services - legal and accounting	20,203.00	-	-	20,203.00
Donated services - advertising	3,347.00	-	-	3,347.00
Donated materials	48,122.62	-	-	48,122.62
Interest on trust	47,012.00	-	-	47,012.00
Total expenses	553,725.35	-	-	553,725.35
Transfers:				
Temporarily restricted	(12,717.31)	12,717.31	-	-
Permanently restricted	(75,158.50)	-	75,158.50	-
Total transfers	(87,875.81)	12,717.31	75,158.50	-
Changes in net assets	20,408.01	3,260,831.38	411,783.62	3,693,023.01
Net assets at beginning of year	46,933.02	3,036,833.77	2,749,972.26	5,833,739.05
Net assets at end of year	\$ 67,341.03	\$ 6,297,665.15	\$ 3,161,755.88	\$ 9,526,762.06

The notes to the financial statements are an integral part of this statement.

ROANE STATE COMMUNITY COLLEGE FOUNDATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 1997, AND JUNE 30, 1996

	Year Ended June 30, 1997	Year Ended June 30, 1996
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ (1,868,008.23)	\$ 3,693,023.01
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Transfers of real estate to Roane State Community College	1,992,519.90	-
Provision for uncollectible pledges	(34,261.86)	50,715.37
Loss on sale of real estate	5,546.84	-
Net unrealized gains	(178,626.70)	(220,039.78)
Realized (gains) losses	978.36	(19,341.21)
Due from split interest trust	9,970.58	-
Noncash contributions	(39,072.47)	(445,500.00)
Amortization of liability - split interest agreements	(60,828.16)	(14,553.00)
Decrease in interest receivable	4,507.10	4,295.32
Increase in accounts receivable	(6,788.21)	-
Increase (decrease) in accounts payable	(5,062.49)	8,026.37
Decrease in interest payable	-	(10,776.93)
Contributions restricted for long-term purposes:		
Unconditional promises to give	2,207,941.34	(2,408,732.53)
Net cash provided by operating activities	<u>2,028,816.00</u>	<u>637,116.62</u>
Cash flows from investing activities:		
Purchases of investments	(1,998,518.38)	(623,679.84)
Proceeds from sale of investments	607,973.59	3,182.37
Proceeds from sale of land	49,453.16	99,341.21
Net cash used for investing activities	<u>(1,341,091.63)</u>	<u>(521,156.26)</u>
Net increase in cash and cash equivalents	687,724.37	115,960.36
Cash and cash equivalents at beginning of year	<u>264,642.83</u>	<u>150,682.47</u>
Cash and cash equivalents at end of year	\$ <u><u>952,367.20</u></u>	\$ <u><u>266,642.83</u></u>

The notes to the financial statements are an integral part of this statement.

Roane State Community College Foundation
Notes to the Financial Statements
June 30, 1997, and June 30, 1996

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Roane State Community College Foundation is a not-for-profit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The foundation was formed to support Roane State Community College and its eight-county service area. The foundation receives support from individual, corporate, and other donors and uses its resources for scholarships, facilities, and other purposes to further the college's goals.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the foundation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Promises to Give

Unconditional promises to give, less an allowance for uncollectible amounts, are recognized as revenue in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future

Roane State Community College Foundation
Notes to the Financial Statements (Cont.)
June 30, 1997, and June 30, 1996

cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue.

Investments

Investments in marketable securities are stated at the quoted market value at June 30. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities. Real estate is considered to be an other asset and is stated at the appraisal value as of the date received.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Donated Services

A significant portion of the foundation's functions is conducted by unpaid volunteers. The value of this contributed time is not reflected in the accompanying financial statements since the volunteers' time does not meet the criteria for recognition under Statement of Financial Accounting Standards No. 116. However, specialized services (legal, accounting, and advertising) which would otherwise need to be purchased are recognized as income and an expense at their fair value.

Donated Assets

Donated real estate, marketable securities, and other noncash donations are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

Roane State Community College Foundation
Notes to the Financial Statements (Cont.)
June 30, 1997, and June 30, 1996

NOTE 2. CASH AND CASH EQUIVALENTS

Financial instruments that potentially subject the foundation to concentrations of credit risk consist principally of cash and cash equivalent accounts in financial institutions.

Deposits with financial institutions are required to be categorized to indicate the level of risk assumed by the foundation. Category 1 consists of deposits that are insured or collateralized with securities held by the foundation or by its agent in the foundation's name. Category 2 consists of deposits collateralized with securities held by the pledging financial institution's trust department or agent in the foundation's name. Category 3 deposits are uncollateralized. This category includes any bank balance that is collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the foundation's name.

At June 30, 1997, the carrying amount of the foundation's deposits was \$979,502.20, and the bank balance was \$482,150.27. Of the bank balance, \$127,135.00 was category 1, and \$355,015.27 was category 3.

At June 30, 1996, the carrying amount of the foundation's deposits was \$291,777.83, and the bank balance including accrued interest was \$355,085.70. Of the bank balance, \$127,224.12 was category 1, and \$227,861.58 was category 3.

NOTE 3. PROMISES TO GIVE

Concentrations of credit risk exist with respect to promises to give because the foundation's contributor base is generally confined to Roane State Community College's service area. Also, a significant portion of the foundation's receivables were promised by persons or organizations associated with particular local industries. However, promises to give are reflected net of any doubtful accounts. At June 30, 1997, and June 30, 1996, the foundation considered all recorded promises to give to be collectible. Unconditional promises to give are as follows:

Roane State Community College Foundation
Notes to the Financial Statements (Cont.)
June 30, 1997, and June 30, 1996

<u>June 30, 1997</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>
Receivable in less than one year	\$357,576.18	\$11,500.00
Receivable in one to five years	<u>96,800.01</u>	<u>21,000.00</u>
Total unconditional promises to give	454,376.19	32,500.00
Less discounts to net present value (unamortized)	<u>12,983.30</u>	<u>3,470.21</u>
Net unconditional promises to give	<u><u>\$441,392.89</u></u>	<u><u>\$29,029.79</u></u>
<u>June 30, 1996</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>
Receivable in less than one year	\$2,261,459.84	\$8,000.00
Receivable in one to five years	<u>397,357.69</u>	<u>28,000.00</u>
Total unconditional promises to give	2,658,817.53	36,000.00
Less discounts to net present value (unamortized)	<u>45,660.43</u>	<u>5,054.94</u>
Net unconditional promises to give	<u><u>\$2,613,157.10</u></u>	<u><u>\$30,945.06</u></u>

NOTE 4. INVESTMENTS

Ameristar investments (mutual funds) are presented in the financial statements at fair value and are summarized as follows:

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June 30, 1997

	<u>Cost</u>	<u>Market</u>
Unrestricted net assets	\$91,310.90	\$96,460.49
Temporarily restricted net assets	224,718.70	237,390.41
Permanently restricted net assets	<u>1,896,800.95</u>	<u>2,003,759.97</u>
Total long-term investments	<u>\$2,212,830.55</u>	<u>\$2,337,610.87</u>

June 30, 1996

	<u>Cost</u>	<u>Market</u>
Unrestricted net assets	\$61,454.25	\$60,669.56
Temporarily restricted net assets	230,577.26	227,633.81
Permanently restricted net assets	<u>1,451,628.57</u>	<u>1,433,100.50</u>
Total long-term investments	<u>\$1,743,660.08</u>	<u>\$1,721,403.87</u>

For classification purposes on the statement of financial position, permanently restricted investments are considered to be current assets because of their liquidity. However, management generally considers such investments to be long-term.

The following table shows the relationship between the carrying amounts and market values of the investments.

	<u>Cost</u>	<u>Market</u>	<u>Excess of Cost Over Market</u>
Balance at June 30, 1996	\$1,743,660.08	\$1,721,403.87	\$ 22,256.41
Balance at June 30, 1997	\$2,212,830.55	\$2,337,610.87	<u>124,780.32</u>
Increase in unrealized appreciation			<u>\$147,036.73</u>
Balance at June 30, 1995	\$1,636,171.07	\$1,508,241.96	\$127,929.11
Balance at June 30, 1996	\$1,743,660.08	\$1,721,403.87	<u>22,256.21</u>
Increase in unrealized appreciation			<u>\$105,672.90</u>

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For the year ended June 30, 1997, the average annual yield exclusive of net gains (losses) was 7.5%, and the annual total return based on market value was 16.4%. For the year ended June 30, 1996, the average annual yield exclusive of net gains (losses) was 6.5%, and the annual total return based on market value was 14.1%.

The foundation also had short-term investments as follows:

	<u>June 30, 1997</u>	<u>June 30, 1996</u>
Certificates of deposit	\$ 27,135.00	\$ 27,135.00
U.S. Treasury bills	-	212,373.41
Mutual funds	<u>1,842,378.79</u>	<u>487,904.59</u>
Total short-term investments	<u><u>\$1,869,513.79</u></u>	<u><u>\$727,413.00</u></u>

Cost approximates market value for these short-term investments. The average annual yield was 4.98% for the year ended June 30, 1997, and 4.69% for the year ended June 30, 1996.

Concentrations of credit risk exist with respect to investments because the foundation's investments are uninsured and are subject to market fluctuations. However, most of the investments are invested with a long-term strategy, and overall gains are anticipated over the long-term.

NOTE 5. SPLIT INTEREST AGREEMENTS

The foundation administers various charitable remainder trusts. A charitable remainder trust provides for the payment of distributions to the grantor or other designated beneficiaries over the trust's term (usually the designated beneficiary's lifetime). At the end of the trust's term, the remaining assets are available for the foundation's use. The portion of the trust attributable to the future interest of the foundation is recorded in the statement of activities as permanently restricted contributions in the period the trust is established. Assets held in the charitable remainder trusts are recorded at fair value in the statement of activities. On an annual basis, the foundation revalues the liability and makes distributions to the designated beneficiaries based on actuarial assumptions and trust agreements. The present value of the estimated future payments is calculated using Internal Revenue Service prescribed rates and applicable mortality tables.

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NOTE 6. RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for scholarship assistance, the college's building program, and other programs to further the vision of the college and the foundation's supporters.

	<u>June 30, 1997</u>	<u>June 30, 1996</u>
Purchase of property and equipment for the college	\$3,951,656.60	\$6,176,692.52
Scholarship assistance	<u>86,116.72</u>	<u>120,972.63</u>
	<u>\$4,037,773.32</u>	<u>\$6,297,665.15</u>

Permanently restricted net assets are to provide a permanent endowment for the foundation, with investment income restricted primarily for scholarships or other academic purposes.

NOTE 7. RELATED-PARTY TRANSACTIONS

Effective August 15, 1991, the foundation and Roane State Community College entered into a support agreement that provides for the college to compensate the foundation staff and supply other items necessary for the operation of the foundation office such as clerical support, telephone service, supplies, and travel funds. The expenses incurred by the college in accordance with this agreement totaled \$107,822.64 for the year ended June 30, 1997, and \$155,345.97 for the year ended June 30, 1996.

NOTE 8. CHANGE IN ACCOUNTING PRINCIPLE

In 1996, the foundation adopted Statement of Financial Accounting Standards No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with that statement, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Under the statement, such contributions are required to be reported as temporarily restricted support and are then reclassified to unrestricted net assets upon expiration of the time restriction. The adoption of this

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statement had the effect of increasing the foundation's net assets by \$374,642.32 at June 30, 1996.

In 1996, the foundation also adopted Statement of Financial Accounting Standards No. 117, *Financial Statements of Not-for-Profit Organizations*. Under that statement, the foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. As permitted by the statement, the foundation has discontinued its use of fund accounting and has, accordingly, reclassified its financial statements to present the three classes of net assets required. This reclassification had no effect on the change in net assets for the year ended June 30, 1996.